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241448Z May 00

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FM AMEMBASSY HARARE  
TO SECSTATE WASHDC PRIORITY 6138  
INFO NSC WASHDC PRIORITY  
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
USDOC WASHDC  
DEPTTREAS WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 HARARE 002810

SIPDIS

LONDON FOR PFLAUMER  
PARIS FOR BISA WILLIAMS  
PASS USTR FOR ROSA WHITAKER  
PASS USAID FOR A/AID RMCCALL AND AFR/SA WJEFFERS  
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USDOC FOR 2037/ERIC HENDERSON

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TAGS: [PGOV](#) [ECON](#) [PINR](#) [ZI](#)  
SUBJECT: THE MORNING AFTER: ZIMBABWE'S POST-ELECTION  
ECONOMIC HANGOVER

REF: HARARE 2684

CLASSIFIED BY AMBASSADOR TOM MCDONALD FOR REASONS 1.5  
(B) AND (D).

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SUMMARY  
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11. (C) ZIMBABWE'S ECONOMIC PROBLEMS ARE NOT BEING DISCUSSED DURING THIS ELECTION CAMPAIGN; PRESIDENT MUGABE HAS DONE A BRILLIANT JOB MAKING LAND REDISTRIBUTION THE PRINCIPAL AGENDA ITEM FOR DEBATE. WE SEE THREE POSSIBLE ELECTION SCENARIOS UNFOLDING IN THE NEXT MONTH: 1. A MORE OR LESS EVEN SPLIT BETWEEN THE RULING PARTY AND THE OPPOSITION MOVEMENT FOR DEMOCRATIC CHANGE (MDC); 2. AN OUTRIGHT MDC VICTORY; OR 3. AN OVERWHELMING ZANU-PF VICTORY. AT THIS WRITING THE LAST OUTCOME IS THE MOST PROBABLE, AND SHOULD IT COME TO PASS IT SEEMS CLEAR TO US THAT ZIMBABWE'S ECONOMIC PROBLEMS WILL ONLY WORSEN, BECAUSE PROPONENTS OF RESPONSIBLE FISCAL AND MONETARY POLICIES WILL BE MARGINALIZED. WE THINK PRESIDENT MUGABE MAY RUN FOR OFFICE AGAIN IN 2002 ON THE STRENGTH OF HIS HANDLING OF THE LAND ISSUE AND CLAIM OF UNIQUE ABILITY TO STEER THE COUNTRY THROUGH ITS MOUNTING DIFFICULTIES. HE WILL NOT, HOWEVER, ADDRESS THE ZIMBABWE'S ECONOMIC MALAISE SINCERELY, BUT RATHER  
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WILL SHIFT THE BLAME FOR IT ON OTHERS. MEANWHILE, WE ARE PICKING UP SIGNALS THAT POLITICALLY-MOTIVATED VIOLENCE MAY TAPER OFF IN THE RUN-UP TO THE ELECTION. END  
SUMMARY.

12. (C) PRESIDENT ROBERT MUGABE SUCCEEDED BRILLIANTLY IN SHIFTING THE FOCUS OF THE ELECTORAL CAMPAIGN DEBATE AWAY FROM WHAT REALLY AILS THIS COUNTRY -- THE FAILING OF LEADERSHIP AND THE ECONOMIC MORASS -- TO THE LAND ISSUE. IF ALLOWED TO PROCEED UNCHECKED IN HIS HOMEGROWN LAND REFORM PROGRAM, HE WILL INFLICT DAMAGE THAT WILL BE VERY DIFFICULT TO REVERSE.

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THREE OUTCOME SCENARIOS  
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13. (C) THREE SCENARIOS PRESENT THEMSELVES FOR THE JUNE 24-25 PARLIAMENTARY ELECTION, WHICH, THANKS TO THE ACHIEVEMENTS OF THE VIOLENCE AND INTIMIDATION CAMPAIGN AGAINST OPPOSITION SUPPORTERS, THE PRESIDENT FELT

SUFFICIENTLY CONFIDENT TO CALL. THE FIRST SEES A MORE OR LESS EVEN SPLIT OF THE VOTE, WITH A SMALL WIN FOR ONE OF THE PARTIES. SUCH AN OUTCOME WOULD IMPLY A TWO-YEAR DE FACTO TRANSITION PERIOD FOR ZANU-PF, UNTIL THE 2002 PRESIDENTIAL ELECTION. THE RULING PARTY NO LONGER WOULD HAVE THE LEGITIMACY SIMPLY TO IGNORE THE MDC, AND THE MODERATES AND REFORMERS IN ZANU-PF WOULD GAIN STRENGTH FROM THE POLITICAL DYNAMICS OF THE DAY.

14. (C) THE SECOND SEES AN OUTRIGHT VICTORY FOR THE MDC,  
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AN INCREASINGLY REMOTE POSSIBILITY. WE CANNOT RULE IT OUT BECAUSE OF AT LEAST TWO UNKNOWNNS: FIRST, WHETHER ZANU-PF'S INTIMIDATION CAMPAIGN HAS BACKFIRED, AND ON ELECTION DAY THE PEOPLE WILL BRAVE THREATS OF RETRIBUTION AND VOTE FOR THE MDC; AND SECOND, WHETHER THE CIVIL SERVANTS, INCREASINGLY TARGETED BY ZANU-PF'S IRE AND WHOSE TASK IT HAS BEEN IN THE PAST TO OFFICIATE AT THE POLLS, WILL BE REPLACED BY MORE "LOYAL" ZANU-PF SUPPORTERS (AMONG THEM WAR VETS) TO HELP RIG THE POLLS. THE GOVERNMENT THAT EMERGES IN THAT CASE WILL BE FACED WITH CONTINUOUS CONSTITUTIONAL CHALLENGES, OCCASIONALLY EVEN PARALYSIS, AS THE CURRENT CONSTITUTION DOES NOT ENVISION SUCH AN EVENTUALITY. IT WILL BE ROUGH, BUT WITH HOPE. AT THIS WRITING THAT OUTCOME IS IMPROBABLE. WE DO NOT RULE OUT A SUBSET OF THIS SCENARIO IN WHICH THE MDC IS ALLOWED TO HAVE AS MANY AS 30 SEATS, REGARDLESS OF THE OUTCOME AT THE BALLOT BOX, AND BE SATISFIED WITH THE OUTCOME.

15. (C) THE THIRD SCENARIO SEES AN OUT-AND-OUT ZANU-PF MAJORITY (THIS ALLOWS FEWER THAN 30 SEATS FOR MDC). AT THIS TIME, THIS SEEMS LIKE THE MOST PROBABLE ELECTORAL OUTCOME, ACHIEVED THROUGH INTIMIDATION, RIGGING, AND NEUTRALIZING THE OPPOSITION'S ABILITY TO MOUNT ANY RESISTANCE. CONCERN FOR THE ECONOMY IN THAT CASE WILL

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BE THE PREOCCUPATION OF A FEW, PROBABLY CIVIL SERVANTS, WHO WORRY ABOUT THE COUNTRY'S CREDIBILITY ON THE INTERNATIONAL SCENE. THESE INDIVIDUALS LIKELY WILL BE MARGINALIZED OR SILENCED. THE TRIUMPHANT ZANU-PF LEADERSHIP WILL CONTINUE ITS ECONOMIC ISOLATION WITH PRIDE, AND WILL BE IN NO HURRY TO RESTORE RELATIONS WITH THE INTERNATIONAL FINANCIAL INSTITUTIONS OR THE DONORS. MANY THINK, LIKE COMMERCE AND INDUSTRY MINISTER NATHAN SHAMUYARIRA, THAT THE COUNTRY WAS BADLY ADVISED BY THE WEST TO ADOPT A STRUCTURAL ADJUSTMENT PROGRAM IN 1991, AND THAT MUGABE COULD RETURN TO THE STATIST, AUTARCHIC AND MARXIST ECONOMIC POLICIES OF THE 1980'S.

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RIGHTING THE SHIP OF STATE  
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16. (C) NO COUNTRY APPEARS ABLE TO SURVIVE ANY MORE WITH SUCH POLICIES IN PLACE (THE EXAMPLES OF NORTH KOREA, CUBA AND IRAQ SPRING TO MIND), AND NOT ONLY ZIMBABWE'S PEOPLE BUT THE SUB-REGION AS A WHOLE WILL FEEL THE IMPACT OF DECLINING ECONOMIC PERFORMANCE. THE PROBLEMS CURRENTLY FACED OF AN OVERVALUED BUT FUNDAMENTALLY WEAK CURRENCY, NO FOREIGN EXCHANGE, GALLOPING INFLATION, BALLOONING PUBLIC DEBT AND SHRINKING OUTBOUND TRADE WILL ONLY GET WORSE. IT WILL ONLY BE A MATTER OF TIME UNTIL  
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TURMOIL RESURFACES. AT THIS POINT WE FORESEE SUBSTANTIAL CAPITAL FLIGHT, WITH WHITES QUEUING UP TO FLEE TO WHATEVER COUNTRY WILL TAKE THEM, AND MANUFACTURERS CLOSING FACTORIES AND SHRINKING OPERATIONS TO STAUNCH THEIR LOSSES.

17. (C) IN OUR JUDGMENT, FOR ZIMBABWE TO GET BACK ON THE ECONOMIC TRACK THE GOVERNMENT NEEDS TO:

-- SLASH SPENDING TO REIN IN THE DEFICIT (FISCAL POLICY);

-- ADHERE TO A STRICT MONETARY POLICY;

-- SUPPORT, AND NOT ATTACK, THE PRIVATE SECTOR;

-- PRIVATIZE THE PARASTATALS, VIRTUALLY ALL OF WHICH ARE LOSS MAKERS;

-- INITIATE A SERIOUS ANTI-CORRUPTION DRIVE WITH CREDIBLE FOLLOW-THROUGH;

-- PARTICIPATE IN SADC IN A SERIOUS MANNER (THE ATTITUDE NOW IS STRICTLY WHAT'S IN IT FOR ZIMBABWE AND USING IT AS A POLITICAL FORUM);

-- CARRY OUT LAND REFORM IN A RESPONSIBLE MANNER; AND

-- RESTORE THE CITIZENRY'S FAITH IN RULE OF LAW AND RESPECT FOR FREE MARKET PRINCIPLES.

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18. (C) FOR THE TIME BEING WE HAVE SEEN LITTLE INDICATION THAT ANYONE IN THE POLITICAL LEADERSHIP IS GIVING ANY OF THESE MEASURES SERIOUS THOUGHT, NEVER MIND TAKING ANY STEPS IN SUCH A DIRECTION. ONE SENIOR MINISTRY OF FINANCE OFFICIAL, TRYING TO PUT THE BEST FACE ON THINGS, TOLD US ON MAY 23 THAT HIS MINISTRY'S PATRIOTIC CIVIL SERVANTS HAD INSTITUTED A PRE-PAID SYSTEM OF COUPONS TO BAR OTHER GOVERNMENT DEPARTMENTS FROM GETTING FREE FUEL AT THE GOVERNMENT'S DEPOTS. NO GOVERNMENT OFFICIAL WILL BE PINNED DOWN ON WHAT THE POST-ELECTION ECONOMIC POLICY MIGHT BE BEYOND REFERRING TO THE MILLENNIUM ECONOMIC RECOVERY PROGRAM (MERP), A COMPILATION OF ECONOMIC GOALS LONG ON DESIDERATA AND SHORT ON SPECIFICS OF HOW TO REACH THEM. THE ZANU-PF ELECTORAL PARTY PLANK, IN ANY CASE, MIGHTILY CONTRADICTS THE MERP'S PRECEPTS AND GOALS. CIVIL SERVANTS WHO WILL BE BRUTALLY FRANK WITH US SAY THAT THEY HOPE THE WORLD WILL FORGET THE BEHAVIOR AND EVENTS LEADING UP TO THE ELECTION AND LEND ZIMBABWE A HELPING HAND. "WE WILL NEED A FEW FRIENDS," OUR FINANCE MINISTRY INTERLOCUTOR TOLD US, "TO HELP US OUT OF THE PIT WE HAVE DUG OURSELVES."

19. (C) ROBERT MUGABE WILL BE DEALING WITH A HIGHLY INDEBTED AND DYSFUNCTIONAL COUNTRY AS HE CONTEMPLATES ANOTHER RUN AT THE PRESIDENCY IN 2002. ONCE THE LAND

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ISSUE IS DEALT WITH (WHETHER INEPTLY AND UNJUSTLY OR NOT, IT WILL BE MORE THAN DIFFICULT FOR ANY SUBSEQUENT GOVERNMENT TO REVERSE IT), IT WOULD SEEM, PERFORCE, MUGABE WILL HAVE TO ADDRESS THE ECONOMY. WE PREDICT HE WILL DO SO INSINCERELY, IF HISTORY TEACHES US ANY LESSONS IN ZIMBABWE. THE PRESIDENT LIKELY WILL SHIFT THE BLAME FOR ITS POOR PERFORMANCE ON THE WEST (SPECULATORS, THE BRITISH, HOMOSEXUALS AND WHOMEVER ELSE COMES TO MIND), AND ARGUE THAT HE IS THE ONLY ONE WHO CAN SAVE ZIMBABWE FROM THE TENEBROUS FORCES UNLEASHED BY GLOBALIZATION.

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THE NEAR TERM OUTLOOK FOR VIOLENCE  
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[10](#). (C) REGARDING POLITICAL VIOLENCE, WE ARE PICKING UP COUNTERINTUITIVE SIGNALS THAT IT LIKELY WILL ABATE IN THE IMMEDIATE RUN-UP TO THE ELECTION, ALTHOUGH THE WEEK PRECEDING THE JUNE 24 AND 25 VOTING DATES COULD SEE AN ESCALATION. WITH THE SAME, SIMPLE LOGIC HIS PRESIDENT USED ON LAND (THEY STOLE IT FROM US, WE'LL TAKE IT BACK), THE MINISTER OF STATE FOR NATIONAL SECURITY, SYDNEY SEKERAMAYI, ON MAY 21 IN MARONDERA CALLED FOR AN END TO POLITICAL VIOLENCE, BUT WARNED OMINOUSLY THAT, "AFTER THE VOTES WE WILL SEE WHO HAS BEEN CHEATING US

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AND WE WILL DEAL WITH EACH OTHER." THE ARRIVAL OF FOREIGN OBSERVERS IS BEGINNING TO HAVE AN EFFECT. THE ZANU-PF LEADERSHIP DOES NOT WISH TO BE SEEN AS THE PERPETRATOR OF CRUDE SAVAGERY WHEN IT IS SQUARE IN THE FOCUS OF THE WORLD, PARTICULARLY THAT OF FELLOW AFRICANS.

MCDONALD

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